

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

Brentwood Crossing, located at 7350 Willis Avenue in Bakersfield, requested and is being recommended for a reservation of \$847,891 in annual federal tax credits and \$6,359,186 in total state tax credits to finance the new construction of 57 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Danco Communities and will be located in Senate District 16 and Assembly District 34.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-21-456

Project Name Brentwood Crossings
Site Address: 7350 Willis Avenue
 Bakersfield, CA 93006 County: Kern
Census Tract: 9.07

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$847,891	\$6,359,186
Recommended:	\$847,891	\$6,359,186

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Danco Communities
Contact: Chris Dart
Address: 5251 Ericson Way
 Arcata, CA 95521
Phone: 707-822-9000
Email: cdart@danco-group.com

General Partner(s) or Principal Owner(s): Johnson & Johnson Investments, LLC
 Valley Initiative for Affordable Housing
General Partner Type: Joint Venture
Parent Company(ies): Danco Communities
 Valley Initiative for Affordable Housing
Developer: Danco Communities
Investor/Consultant: Red Stone Equity Partners, LLC
Management Agent: Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 58
 Total # of Units: 58
 No. / % of Low Income Units: 57 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/USDA Section 514 Farm Labor Housing Loan/
 USDA Section 521 Rental Assistance (57 units - 100%)
 Utility Allowance: CUAC

Bond Information

Issuer: CMFA
 Expected Date of Issuance: October 25, 2021
 Credit Enhancement: No

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 10	18%
40% AMI: 23	40%
50% AMI: 24	42%

Unit Mix

30 2-Bedroom Units
20 3-Bedroom Units
8 4-Bedroom Units
<u>58 Total Units</u>

<u>Unit Type</u> <u>& Number</u>	<u>2020 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2020 Rents</u> <u>Actual % of Area</u> <u>Median Income</u>	<u>Proposed</u> <u>Rent</u> <u>(including</u> <u>utilities)</u>
5 2 Bedrooms	30%	30%	\$472
12 2 Bedrooms	40%	40%	\$630
13 2 Bedrooms	50%	50%	\$787
3 3 Bedrooms	30%	30%	\$545
8 3 Bedrooms	40%	40%	\$727
8 3 Bedrooms	50%	50%	\$908
2 4 Bedrooms	30%	30%	\$608
3 4 Bedrooms	40%	40%	\$811
3 4 Bedrooms	50%	50%	\$1,013
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,200,000
Construction Costs	\$13,889,384
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$694,469
Soft Cost Contingency	\$153,465
Relocation	\$0
Architectural/Engineering	\$698,554
Const. Interest, Perm. Financing	\$1,102,686
Legal Fees	\$100,000
Reserves	\$174,934
Other Costs	\$2,363,739
Developer Fee	\$2,774,698
Commercial Costs	\$0
Total	\$23,151,929

Residential

Construction Cost Per Square Foot:	\$146
Per Unit Cost:	\$399,171
True Cash Per Unit Cost*:	\$373,666

Construction Financing

Source	Amount
Pacific Western Bank Tax-Exempt	\$12,200,000
Pacific Western Bank Taxable	\$5,917,209
Tax Credit Equity	\$5,034,720

Permanent Financing

Source	Amount
Pacific Western Bank	\$3,700,000
USDA Section 514 Loan	\$3,000,000
Danco Communities Loan	\$2,550,000
Deferred Developer Fee	\$1,479,326
Solar Tax Credit	\$128,180
Tax Credit Equity	\$12,294,423
TOTAL	\$23,151,929

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,197,287
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$21,197,287
Applicable Rate:	4.00%
Maximum Annual Federal Credit:	\$847,891
Total State Credit:	\$6,359,186
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,774,698
Investor/Consultant:	Red Stone Equity Partners, LLC
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.80000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$21,197,287
Actual Eligible Basis:	\$21,197,287
Unadjusted Threshold Basis Limit:	\$22,193,048
Total Adjusted Threshold Basis Limit:	\$50,156,288

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project shall be more energy efficient than the 2019 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units
Income Targeted between 50% AMI & 36% AMI: 82%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units
Income Targeted at 35% AMI or Below: 34%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

Projects with funding and/or subsidy from USDA are required to use Utility Allowances approved by USDA. The applicant’s use of the CUAC for Brentwood Crossings (CA-21-456) is subject to approval by USDA.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.